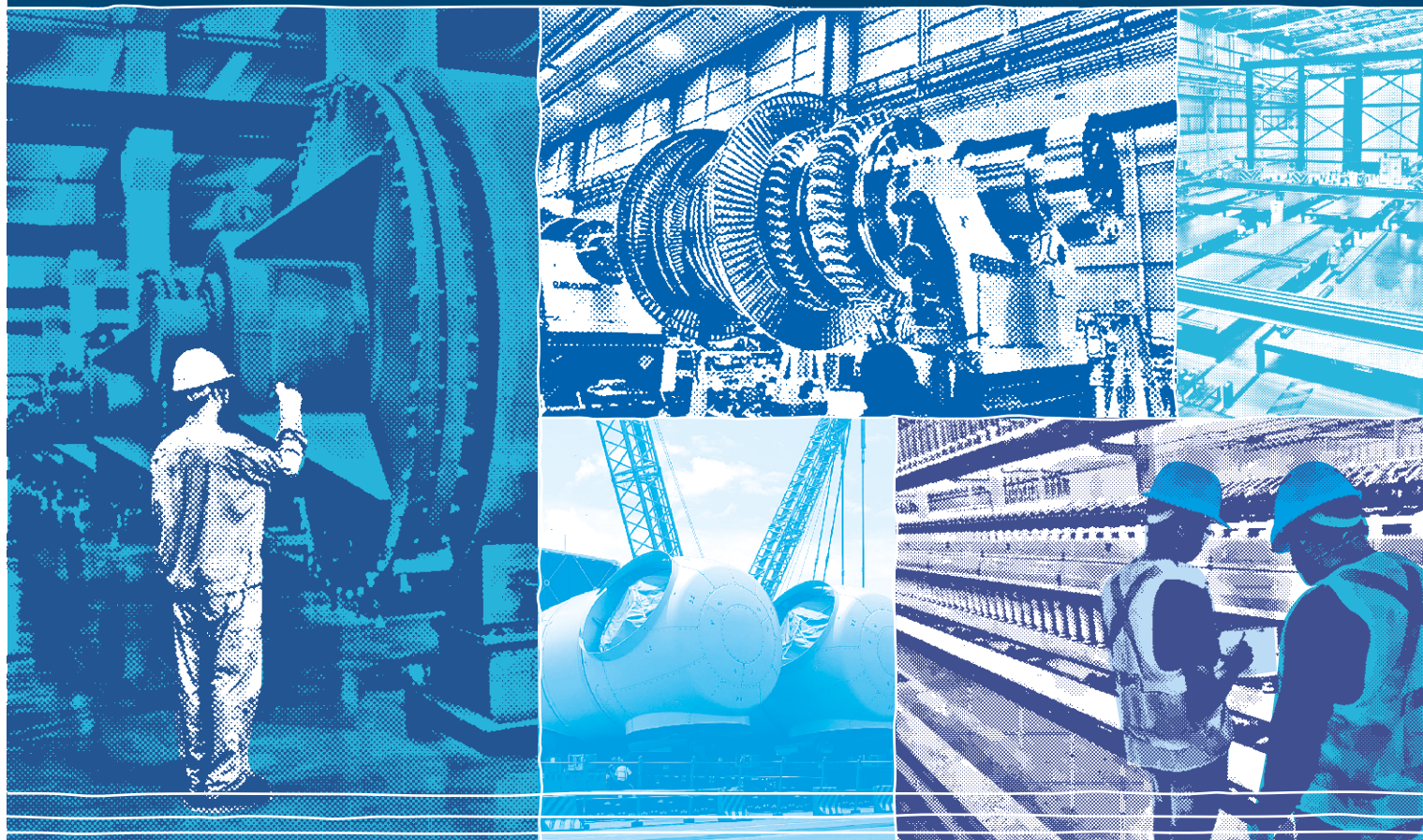


EXPORT CREDIT GUARANTEES



ANNUAL REPORT 2020 – HIGHLIGHTS

FEDERAL EXPORT CREDIT AND
UFG-GUARANTEES

► **Hermes Cover**

► **Untied Loan Finance**



Dear sir or madam,

The Covid-19 pandemic left deep traces on the German export sector last year, posing unprecedented challenges. Many successful companies were suddenly faced with existential problems through no fault of their own. Business models that had been successful and stable for many years faltered from one day to the next.

To support the German export sector and its employees, the Federal Government therefore took various measures immediately after the outbreak of the coronavirus pandemic to enable companies and export-financing banks to shield transactions from the risk of

payment defaults and to continue obtaining government-backed finance despite the crisis. The 5-point package of measures with which we once again significantly improved the cover and financing options available for export transactions played a decisive role in this.

All in all, the Federal Government provided export credit guarantees worth 16.7 billion euros in 2020. Consequently, they proved their merits as a relevant and reliable instrument for promoting foreign trade even in times of crisis.

As regards the further development of export credit guarantees, the Federal Government made significant progress in two strategically important areas in particular in 2020. Under the German EU Council Presidency, the foundations were laid for a fundamental reform of the OECD

rules. Modern international frameworks for export finance are crucial for ensuring a level playing field among export nations.

Another important milestone concerns the transition to a climate-neutral economy. The climate strategy launched for the Federal Government's export credit guarantees provides incentives for climate-friendly exports, thus helping German exporters to complete their transformation process.

A stylized, handwritten signature in blue ink, consisting of several loops and a long horizontal stroke at the end.

Peter Altmaier
Federal Minister of
Economic Affairs and Energy

EXPORT CREDIT GUARANTEES OF THE FEDERAL REPUBLIC OF GERMANY AT A GLANCE
IN MILLION EUR

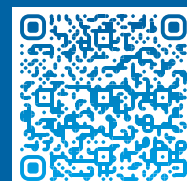
		2019	2020
	Statutory cover limit	148,000	160,000
	Cover applications (volume) *	26,829	23,433
	Small and medium-sized enterprises (share of exporters supported with guarantees in %) **	77.9	78.6
New business	Covered export volume	20,998.5	16,714.7
	of which for		
	emerging economies and developing countries	15,688.6	13,439.6
	industrialised countries	5,310.0	3,275.1
	Covered exports for EU countries	4,321.6	1,257.2
	Covered exports in % of total German exports	1.6	1.4
Results	Revenues from		
	Premiums and fees	563.0	653.1
	Recoveries	550.3	230.9
	from political claims	271.8	47.5
	from commercial claims	278.4	183.4
	Other income (exchange rate losses/gains)	0.3	-0.1
	Expenses for		
	Claims paid	383.2	286.1
	for political claims	5.9	15.0
	for commercial claims	377.3	271.1
	Management fee	90.0	90.0
Annual result		640.4	507.8
Accrued result (since 1951)		6,350.1	6,857.9
Accounts subrogated to the Federal Government		3,593.5	3,435.8

* Including buyer credits

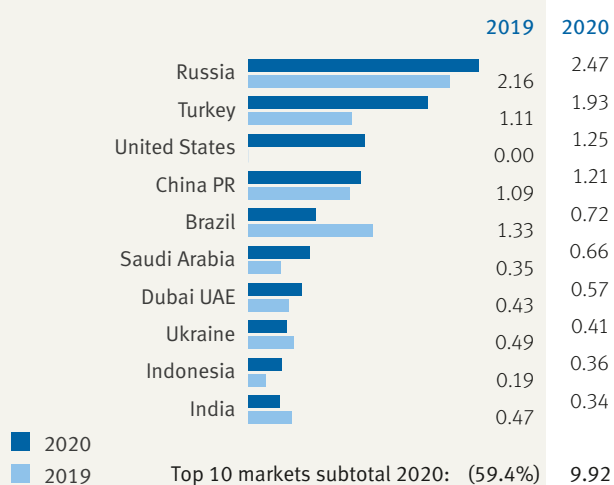
** Firms with up to 500 employees

Export Credit Guarantees – Annual Report 2020

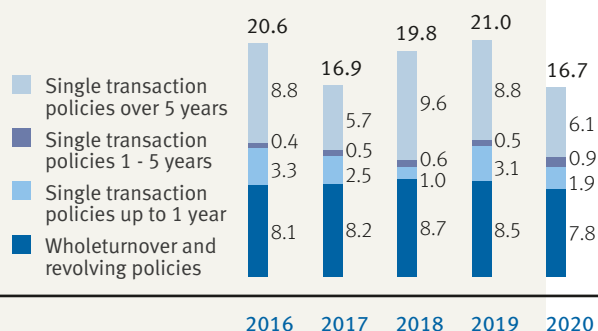
Please find the digital long version of the latest annual report here:



NEW GUARANTEES IN BILLION EUR



Total 2020: (100%) 16.71

NEWLY COVERED EXPORTS
BY HORIZON OF RISK IN BILLION EURBUSINESS YEAR – 2020
AT A GLANCE

Immediately after the outbreak of the Covid-19 pandemic, the Interministerial Committee (IMC) for Export Credit Guarantees decided to pay even closer attention to the stability of foreign buyers' pre-crisis business models and financial situation in addition to their current key figures when examining the commercial risks. With this decision, the IMC ensured the continued availability of cover for goods and services as well as export finance.

2020 was dominated by two conflicting trends: the decline in the volume of cover on the one hand and a disproportionately sharp increase in applications for export credit guarantees (so-called "Hermes Cover") on the other.

Due to the pandemic, some projects were cancelled or deferred in the year under review contrary to the original timetable. A large part of these projects are expected to be implemented once the global economy recovers after the pandemic, meaning that similarly high demand as in previous years for exports backed by the Federal Government is likely in the future. Launched in 2020, the "Special Renewable Energy Initiative" is also expected to generate additional impetus.

The absence of big-ticket projects caused the **volume of cover** provided to drop from 21 billion euros in the previous year to 16.7 billion euros in the year under review. One key reason for this is current conditions in the transport sector. Thus, the outbreak of the coronavirus pandemic brought **cruise ship business** – a sector that is traditionally heavily dependent on finance backed by the Federal Government – to an abrupt standstill. In the year under review, the Federal

Government provided cover for **civilian shipbuilding** worth 0.1 billion euros (2019: 5.3 billion euros). This was joined by cover for **military shipbuilding** amounting to 0.2 billion euros (2019: 1.8 billion euros), resulting in total cover of 0.3 billion euros (2019: 7.1 billion euros).

Whereas demand for finance backed by guarantees issued by the Federal Republic gradually recovered in the **aircraft segment** in the second half of the year, it was largely absent in the maritime sector. In 2020, the Federal Government, in cooperation with the governments of the other two main Airbus producer countries – France and the United Kingdom – provided cover for aircraft transactions worth 2.2 billion euros (2019: 0.3 billion euros).

The Covid-19 pandemic considerably spurred demand for the Federal Government's export credit guarantees substantially. The **number of applications** rose by a good 35% over the previous year. Applications for Wholturnover Policies in particular increased significantly (up 40%). **Spread policies** (Wholturnover Policies and revolving cover) are a proven guarantee instrument particularly for small and medium-sized companies (SMEs) that maintain business relations with multiple customers in different countries. As they are normally used to cover small-ticket transactions, the heightened demand for export credit guarantees is not fully reflected in the volume of cover provided.

The increase in applications for export credit guarantees was also materially due to the extension of cover facilities to include so-called "**marketable risks**" on the basis of a decision of the EU Commission.

VOLUME OF COVER BY COUNTRY GROUPS

Countries	2019 million EUR	Share in %	2020 million EUR	Share in %	Change in %
Emerging economies and developing countries	15,688.6	74.7	13,439.6	80.4	-14.3
Latin America	3,741.4	17.8	2,000.9	12.0	-46.5
Africa	2,946.5	14.0	1,232.2	7.4	-58.2
Asia	4,929.2	23.5	5,023.0	30.1	1.9
Middle East	1,412.2	6.7	1,933.4	11.6	36.9
Southern/Central Asia	1,109.4	5.3	993.0	5.9	-10.5
East Asia	2,407.6	11.5	2,096.5	12.5	-12.9
Oceania	1.9	0.0	1.6	0.0	-19.8
Europe	4,069.5	19.4	5,181.9	31.0	27.4
Industrialised countries	5,310.0	25.3	3,275.1	19.6	-38.3
Total	20,999.0	100.0	16,714.7	100.0	-20.4
thereof EU countries	4,322.0	20.6	1,257.2	7.5	-70.9

The current crisis prompted numerous companies to submit applications for export credit guarantees for the first time. The number of new policyholders more than doubled in the year under review to 188 (2019: 84).

Most of the deliveries and services covered were destined for the **emerging economies and developing countries**. They accounted for 80.4% of new cover.

80,4 %

53.6% of the cover provided was for **single transaction policies** (2019: 59.3%). Demand was particularly strong for cover for transactions with credit periods of between one and five years. **Wholturnover Policies** accounted for 46.4% of the new cover provided last year. At 7.8 billion euros, the turnover covered was down on the previous year (2019: 8.5 billion euros).

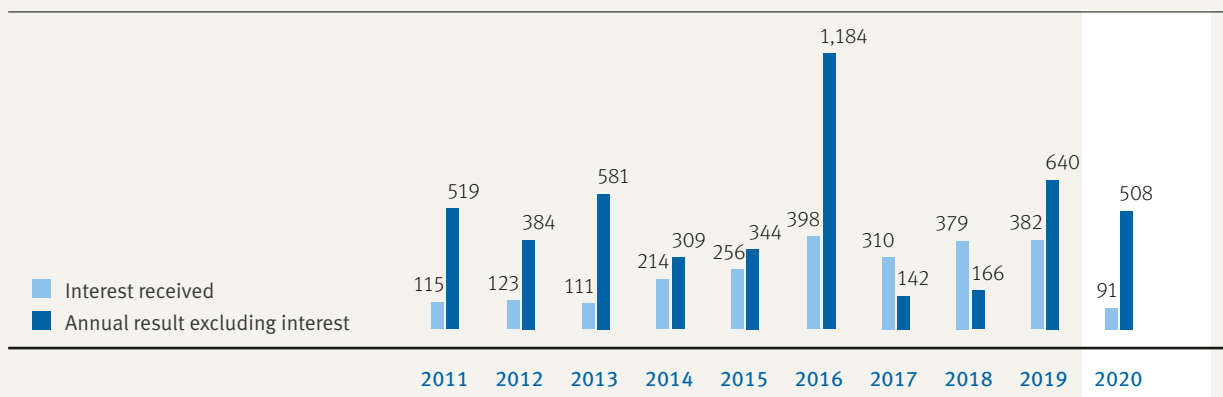
Despite the crisis, there was no increase in indemnification payments. In the year under review, the

Federal Government **paid indemnification** of 286.1 million euros (2019: 383.2 million euros). However, the Covid-19 pandemic is expected to result in a significant increase in both claims and payments for commercial loss in 2021 and 2022. This is already indicated by the higher payment defaults and payment deferral requests in 2020.

Income from premiums and fees increased to 653.1 million euros (2019: 563 million euros). **Recoveries** of indemnification paid in the past came to 230.9 million euros (2019: 550.3 million euros). **Interest income** reached 91.4 million euros (2019: 381.6 million euros).

The **outstanding risk** under current guarantees issued by the Federal Government stood at 85 billion euros as of 31 December 2020 and was thus down on the year-ago figure (2019: 88 billion euros). Russia (11.7 billion euros), the United States (9.9 billion euros) and Turkey (8.5 billion euros) account for the highest outstanding risk.

FINANCIAL RESULT OVER THE PAST TEN YEARS IN MILLION EUR



At 507.8 million euros, the Federal Government's export credit guarantees made a **positive contribution** to the federal budget (2019: 640.4 million euros). Interest income is not included in this calculation. The annual result is transferred in full to the federal budget.

COUNTRY COVER POLICY AND RISK MANAGEMENT

The Interministerial Committee defines an appropriate cover policy for each country on the basis of its specific risk. This governs the conditions for the granting of export credit guarantees. One important parameter for the Federal Government's cover policy is the **OECD country risk classifications**. These country classifications are binding on all export credit agencies in OECD member countries and form the basis for the minimum premium payable by the policyholder.

In 2020, the OECD experts reassessed the country risks of 18 countries. Three countries were upgraded and 15 downgraded as a result.

A further instrument for managing risk if no open cover policy is justifiable for the country is the establishment of a **country ceiling**, in which the IMC sets a maximum credit limit available for a given country.

As of 31 December 2020, ceilings had been defined for four countries.

EXPORT CREDIT GUARANTEES AND THE CORONAVIRUS PANDEMIC

To support the German export industry and its employees, the Federal Government took various measures immediately after the outbreak of the coronavirus pandemic to enable companies and export-financing banks to protect transactions from the risk of payment defaults and to continue offering government-backed finance despite the crisis. Thus, the **statutory cover limit** for export credit guarantees was raised from 148 billion euros to 160 billion euros in a supplementary budget.

The cover policy of the Interministerial Committee for Export Credit Guarantees also had a stabilising effect in the crisis. Despite the global economic downturn worldwide, **no general restrictions** were imposed on cover.

In addition, the Interministerial Committee's decision to evaluate buyers' creditworthiness on the basis of, among other things, their pre-crisis business model and economic condition in specific cases was of fundamental importance.

On the basis of a decision of the EU Commission, the Federal Government extended the cover facilities available for goods and services at the end of March to include so-called **marketable countries**. A specific support programme of the Federal Government to mitigate the effects of the coronavirus pandemic (**5-point package of measures**)

aims to improve the liquidity situation of exporters and importers, to facilitate finance for their business and to broaden the scope that banks have for funding loans in connection with export business. Moreover, **shopping line cover** was introduced, with which the Federal Government guarantees the credit facility granted by a bank to a foreign buyer. Furthermore, the Federal Government decided to extend the **KfW Refinancing Programme** for export credits indefinitely.

STUDY EXAMINES IMPACT OF THE DIGITAL TRANSFORMATION ON EXPORT CREDIT GUARANTEES

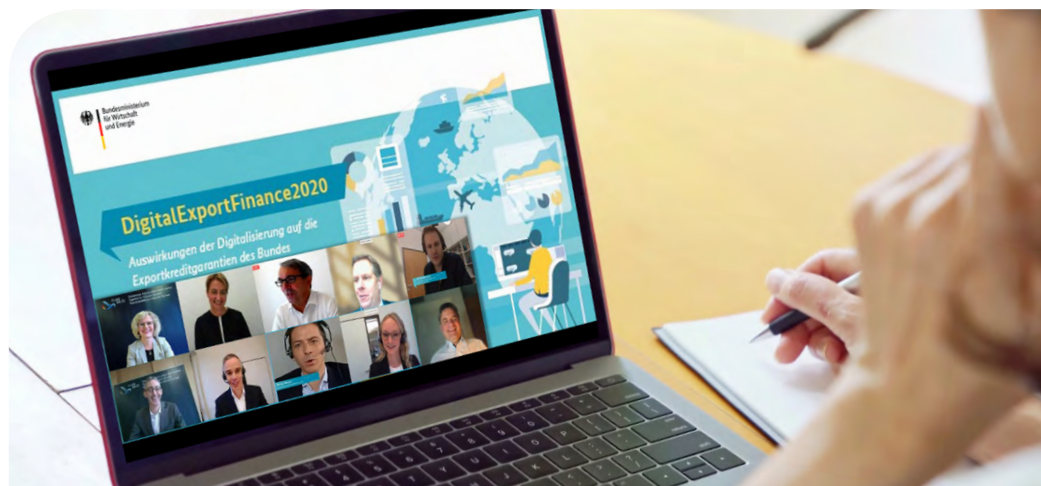
The **digital transformation** will permanently change the structure of the German economy and, in particular, the export sector even after the current crisis has been overcome. This also raises questions with regard to German foreign trade promotion and the Federal Government's export credit guarantees.

Digitisation

In a study commissioned by the Federal Ministry for Economic Affairs and Energy (BMWi), researchers from BSS Volkswirtschaftliche Beratung AG (economic consultants) working in collaboration with the Fraunhofer Institute for Systems and Innovation Research ISI and the Institute for Systemic Management and Public Governance at the University of St.Gallen investigated the impact of the digital transformation on the Federal Government's export credit guarantees.

Around 100 participants, together with researchers and representatives of the Federal Ministry for Economic Affairs and Energy and Euler Hermes, discussed the results of the study and concrete recommendations at the online DigitalExportFinance conference at the beginning of November. The recommendations of the study as well as the conclusions drawn at the conference will be incorporated in the further development of the Federal Government's export credit guarantees and serve as a basis for continued dialogue between policymakers and the business sector.

More than 100 experts attended the DigitalExportFinance conference in November 2020, discussing the impact of digitalisation on the Federal Government's export credit guarantees.



ADVISORY SERVICES – ONLINE

Contact restrictions on the one hand and an increased need for advice due to the Covid-19 pandemic on the other. Despite what in some cases were adverse circumstances, the **business consultants** held more than 2,700 meetings with customers last year. Conferences, consultancy days, specialist events, roadshows and information events were quickly transferred to the Internet. This also applied to the hands-on “**Bring your project to ...**” workshop for exporters and banks. Southeast Asia was the destination of the virtual trip in 2020.

Thanks to the swift adoption of digital formats and an extensive range of online events, the business consultants were able to maintain the necessary dialogue with SMEs, large corporates, banks, associations, as well as chambers of industry and commerce in Germany and abroad, thus fulfilling their advisory obligations despite the crisis.

Financing experts

With the help of local **financing experts**, the Federal Ministry for Economic Affairs and Energy has been offering special advice for customers based abroad via the German chambers of industry and commerce (AHKs) since September 2019. The financing experts in **Dubai, Singapore and Nairobi** advise foreign buyers, local banks and German exporters and their foreign subsidiaries on all matters relating to export credit guarantees.

INTERNATIONAL COLLABORATION

The Federal Government’s export credit guarantees are embedded in an international set of rules. The **OECD Consensus** is binding for officially supported export credits with repayment terms of two years or more. Among other things, it defines minimum standards for terms of finance. The Federal Government is committed to a multilateral dialogue involving all stakeholders to achieve a level playing field in state export promotion.

Germany took over the **EU Council Presidency** on 1 July 2020. The focus was on one topic in this connection, namely the further development of state foreign trade promotion in an international context. Christof Wegner, who is responsible for international relations in connection with export credit guarantees at the Federal Ministry for Economic Affairs and Energy, headed the Council Working Group on export credit guarantees. It was possible to agree important milestone for the reform of the OECD Consensus in basic documents and to reach an agreement on EU level on an overall approach to revising the financing conditions.

The purpose of **consultations** is to deepen cooperation between countries and to encourage mutual understanding of the different credit guarantee systems. In 2020, consultations were held with France, Japan, Switzerland and Austria. In addition, the export credit agencies of Germany, Austria and Switzerland discussed topics currently of relevance for export promotion and financing within the framework of the so-called “**DACH initiative**”. One focus was on sustainability issues.

EXPORT CREDIT GUARANTEES AND RESPONSIBILITY

As a fundamental rule, the Federal Government does not provide cover for any export transactions that violate internationally acknowledged **environmental, social and human rights standards**. 72 assessments of environmental, social and human rights issues were performed in accordance with the OECD rules in 2020 (2019: 76).

Transformation companion for the corporate sector – IMC departments develop climate strategy

A comprehensive **transformation** of the global economy is necessary to achieve the goals of the Paris

Climate Change Agreement. In the year under review, the four IMC ministries additionally engaged in detailed consultations on the additional contribution that foreign trade promotion instruments can make towards a carbon-neutral economy.

In a preliminary step, they agreed to expand cover and to improve the availability of funding for renewable energy transactions (**Special Renewable Energies Initiative**). At the same time, the Inter-ministerial Committee for Export Credit Guarantees substantially narrowed the scope for obtaining cover for certain climate-adverse transactions.

Both measures form part of a comprehensive **climate strategy**, which is to enter into force during 2021. The aim of the climate strategy is

to support German exporters in the upcoming transformation towards a low-carbon economy and to provide them with a reliable framework that offers them and their foreign customers forward planning visibility.

Climate protection

The largest wind farm in the Asia-Pacific region is being built eight kilometres off the west coast of Taiwan: 80 wind turbines will feed up to 640 MW into the national grid by the end of 2021. The wind turbines are being supplied by Siemens Gamesa Renewable Energy GmbH & Co. KG and the monopiles by Steelwind Nordenham GmbH. The project developer and operator is Bremen-based wpd AG, while SMBC is providing financial advice. In addition to the installation of the wind turbines, the project includes the provision of cabling as well as the construction of the foundations and two transformer stations. The Federal Republic of Germany is providing isolated buyer credit cover for the project.



The extensive [stakeholder dialogue](#) involving more than 30 companies, banks, scientists and NGOs is being accompanied by a six-month pilot phase launched in mid-2020. Its main purpose is to determine which international benchmarks are most suitable for assessing the climate impact of transactions covered by the Federal Government's export credit guarantees. In addition to the World Bank Group's Environmental, Health and Safety Guidelines already used for environmental, social and human rights due diligence (ESHR due diligence), the delegated legislation, which is currently in the finalisation stage, on the technical screening criteria for mitigation of the EU taxonomy plays an important role in this respect. The results of the pilot phase will be incorporated in the future climate strategy for export credit guarantees.

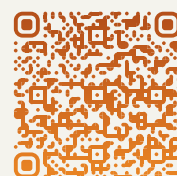
More detailed information on the Export Credit Guarantees of the Federal Republic of Germany and the complete Annual Report 2020 are available at www.agaportal.de.

UNTIED LOAN GUARANTEES

Interest in untied loan guarantees to safeguard supplies of raw materials to German industry was very strong in 2020. There was particularly high demand for raw materials for key and future technologies. Due to the pandemic, many projects were initially postponed at an early planning stage. In the case of three projects, the eligibility for cover in the light of raw material policy considerations was confirmed, while an offer of cover was issued for two projects and a guarantee provided for one project.

Untied loan guarantees

The business results of the untied loan guarantees can be found in the Annual Report starting on page 70.



Additional information is available at agaportal.de/en › raw materials

COMMENTS

Note about the use of the masculine form:

In the interest of readability the parallel use of the language forms male, female and divers (m/f/d) is avoided. The terms used throughout the text refer likewise to all genders.

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Export Credit Guarantees and Untied Loan Guarantees:
instruments to promote foreign trade and investment
provided by the:



Federal Ministry
for Economic Affairs
and Energy

Commissioned to implement the federal
funding instruments 'Export Credit Guarantees'
and 'Untied Loan Guarantees':



EULER HERMES

Cover from the Federal Republic of Germany for foreign business

Export Credit Guarantees and Untied Loan Guarantees have been established and effective foreign trade promotion instruments of the Federal Government for decades. Export Credit Guarantees (so-called Hermes Cover) protect German exporters and banks financing exports against political and commercial risks. Untied Loan Guarantees are to support raw material projects abroad regarded as eligible for promotion by the Federal Government. Both promotion instruments play an important role in fostering economic growth as well as in protecting and creating jobs. Federal Government commissioned Euler Hermes Aktiengesellschaft to manage the federal funding instruments Export Credit Guarantees and Untied Loan Guarantees.

Information on other foreign trade promotion instruments of the Federal Government can be found at www.bmwi.de under the heading Promotion of Foreign Trade and Investment.

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